

SPOTLIGHT ON CANADA'S RPAA

Registration and Compliance Requirements for Canadian Payment Service Providers (PSPs)

A Spotlight on the Requirements and Regulations Under the Retail Payment Activities Act (RPAA)



Implementation of the Retail Payment Activities Act

Approved by Parliament in June 2021, the Retail Payment Activities Act (RPAA) established a legal framework for the central bank of Canada, the Bank of Canada (Bank), to supervise payment service providers (PSPs). The RPAA requires certain businesses, including money services businesses (MSBs) within scope to register as PSPs by November 15, 2024. Previously, PSPs only registered as MSBs with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and were primarily focused on anti-money laundering (AML) compliance. The following are the key milestones of the RPAA:



Requirements under the RPAA and its Regulations

On November 22, 2023, the Government of Canada published the final regulations of the RPAA (Regulations) to create a federal retail payment framework and to build confidence in the safety and reliability of PSP services while protecting consumers through regulation. The following requirements will apply to PSPs in Canada starting September 8, 2025:

Registration and Record Keeping

Register with the Bank before conducting retail payment activities. PSPs that registered outside the 15-day period will have 60-day delay in doing their payment activities.

Risk Management and Incident Response

PSPs are required to establish, implement, and maintain written risk management framework as well as incident response.

Safeguarding End User Funds

PSPs must have a written fund safeguarding framework. PSPs must maintain end user funds in a trust account before prescribed financial institutions, or with a guarantee or insurance from a regulated financial institution not related to the PSP.

Reporting to the Bank

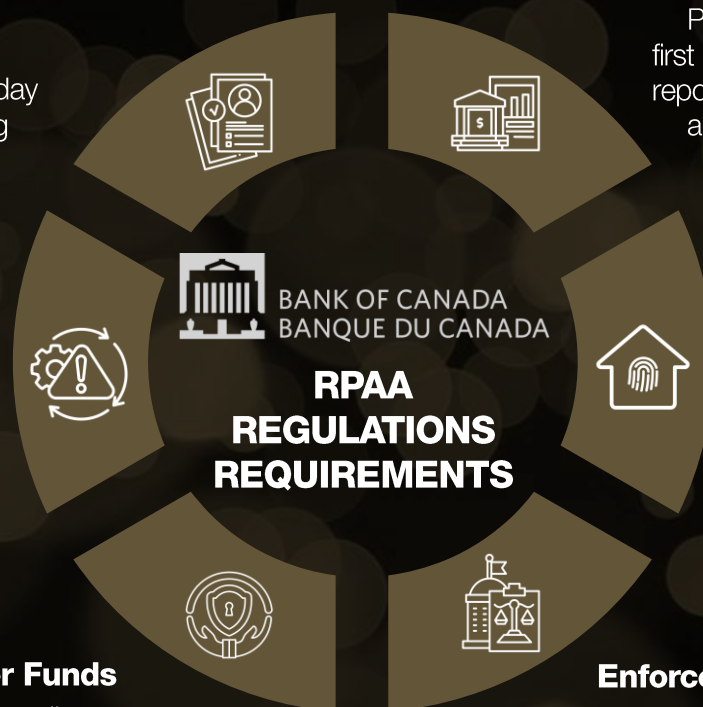
PSPs must provide annual reports – with first report due on March 31, 2026. Incident reports and significant change reports must also be provided. PSPs must respond to Bank requests within 15 days.

National Security

Minister of Finance shall conduct a national security review to PSPs, which is triggered by the initial registration with the Bank.

Enforcement

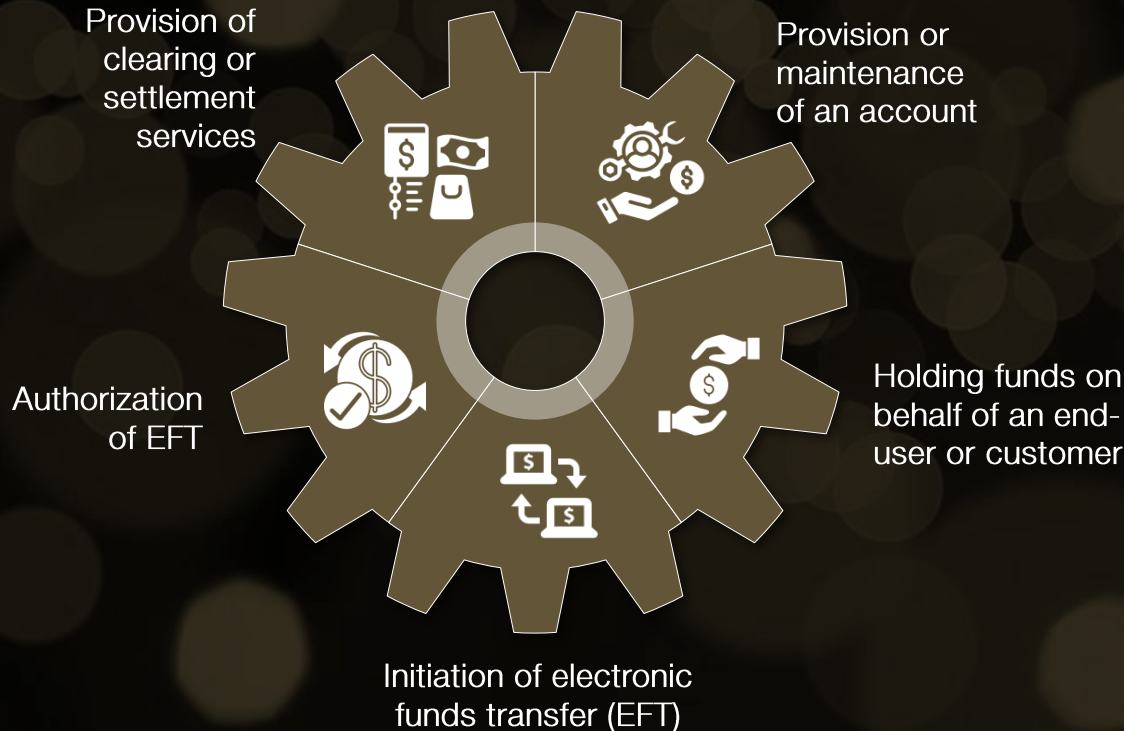
Administrative monetary penalties of up to CAD 1 million for 'severe violations' may be imposed and up to CAD 10 million for 'very severe violations' such as violating the end user funds safeguarding requirement.



PSP and Excluded Activities

A PSP is defined by the Bank as an “individual or entity that performs payment functions as a service business activity that is not incidental to another service or business activity.” Whether or not you have a place of business within or outside Canada, as long as you provide the following retail payment services below to end users in Canada, a business is considered a PSP within scope of the RPAA unless your business or the retail payment activities you offer are excluded:

RPAA COVERED PSP ACTIVITIES



EXCLUDED ACTIVITIES



Banks



Authorized foreign banks



Provincially Regulated Trust Companies



Incidental activities, securities related transactions, and internal and closed loop transactions



The Scope of FINTRAC

FINTRAC is the country's financial intelligence unit (FIU), mandated to facilitate detection and prevention of money laundering and terrorist financing while protecting personal information under its regulation. FINTRAC also ensures the compliance of businesses covered by the PCMLTFA. Regulated entities under FINTRAC below may or may not be within the scope of the RPAA, as long as they perform payment functions identified earlier:

FINANCIAL ENTITIES



Banks



Trust Companies



Life Insurance Companies



Financial Service Cooperatives, Savings and Credit Unions



Unregulated Trust Companies



Agents of the Crown

OTHER REPORTING ENTITIES



Accountants



Casinos



Money Services Businesses

- Foreign Exchange Dealing;
- Remitting or Transmitting Funds through an electronic funds transfer network or other methods;
- Invoice payment services or payment services for goods and services;
- Issuance or Redemption of Money Orders, Traveler's Cheques or similar negotiable instruments;
- Dealing in Virtual Currency; and
- Crowdfunding platform services



British Columbia Notaries



Securities Dealers



Real Estate Brokers



Precious Metals and Stones Dealers



Discover
what
Stratis
Advisory
can do
for you



FINTRAC MSB Registration

Prior to engaging as a MSB in Canada, whether domestic or foreign, a company must be registered with FINTRAC. For more than 10 years, Stratis has helped startups to Fortune-ranked companies of different business models in North America, inclusive of Canada and the Province of Quebec, and abroad, to launch, scale, and optimize regulated business operations. Stratis can help you prepare, process, and submit your MSB Registration with FINTRAC, and develop your PCMLTFA required compliance programs.



PCMLTFA Two-Year Effectiveness Review

An evaluation every two (2) years at a minimum, to ensure effectiveness and to identify gaps and weaknesses in your compliance program and its elements, forms part of the compliance program requirements of the PCMLTFA. With our insights and experience in Canada, inclusive of the Province of Quebec, Stratis can assess your compliance program, evaluate your compliance with the PCMLTFA, and to support you with the enhancement or continuous improvement of your risk management practices.



PCMLTFA Ongoing Compliance

When offering financial services or certain businesses in Canada, you may fall under the scope of the PCMLTFA, Canada's AML and anti-terrorist financing legal framework. Apart from a sound compliance program, the PCMLTFA includes other requirements such as ongoing monitoring, know-your-customer, electronic funds transfer (EFT) reporting, among others. Stratis can help you develop, execute, monitor and maintain compliance to regulatory requirements in Canada, commensurate to your risk tolerance and business goals.





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